

THE  
THE  
INTELLECTUAL  
PROPERTY AND  
ANTITRUST  
REVIEW

SEVENTH EDITION

Editor  
Dieter Paemen

THE I A W / R E V I E W / S

# THE INTELLECTUAL PROPERTY AND ANTITRUST REVIEW

SEVENTH EDITION

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# PREFACE

The task of this book is, with respect to key jurisdictions globally, to provide an up-to-date, concrete and practical overview of developments on the relationship between antitrust and intellectual property laws and regulations. This seventh edition provides an update on recent developments, as well as an overview of the overall existing lay of the land regarding the relationship between the two bodies of law.

Key topics covered in this and future editions include the constraints imposed by antitrust on licensing, the circumstances under which a refusal to license intellectual property rights can be unlawful, the imposition of antitrust obligations on owners of standard-essential patents, the application of antitrust law to cross-border e-commerce, the intense disputes regarding the application of antitrust law on patent settlements in the pharmaceutical industry, and the growing importance of intellectual property issues in merger cases.

As intellectual property continues to gain importance in the world economy and the number, resources and sophistication of antitrust authorities grows across the globe, new battles will be fought over the circumstances in which antitrust constrains intellectual property. Existing differences in the application of antitrust to intellectual property – already significant, and perhaps even greater than in intellectual property laws themselves – may grow, perhaps especially as more net intellectual property-consuming countries devote resources to antitrust enforcement. Future editions of this book will analyse these developments, and we hope the reader will find this to be a useful compilation and oft-consulted guide.

Finally, I would like to thank the team at Clifford Chance LLP for their important contributions to this seventh edition of *The Intellectual Property and Antitrust Review*.

**Dieter Paemen**  
Clifford Chance LLP  
Brussels  
June 2022

# JAPAN

*Takamitsu Shigetomi, Toshiya Furusho and Takashi Hirose<sup>1</sup>*

## I INTRODUCTION

In Japan, the Anti-Monopoly Act sets forth the interaction between antitrust and intellectual property (IP) law. Specifically, Article 21 of the Anti-Monopoly Act states: ‘The provisions of this Act shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, the Patent Act, the Utility Model Act, the Design Act, or the Trademark Act.’ Based on such a provision, the Japan Fair Trade Commission (JFTC) has published the Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act<sup>2</sup> (the IP Guidelines) to deal with various issues involving such an interaction (see Section III). The JFTC has also issued the Guidelines on Standardisation and Patent Pool Arrangements<sup>3</sup> (the Standardisation Guidelines) on antitrust issues in relation to standardisation (see Sections III and IV).

## II YEAR IN REVIEW

### i Recent legal precedents related to IP and antitrust

Recently, the Tokyo District Court issued some noteworthy decisions on antitrust issues related to ink cartridges. On 30 September 2021, the Tokyo District Court decided that Japanese electronics manufacturer Brother violated the Anti-Monopoly Act by designing its inkjet printers to be incompatible with third-party ink cartridges, and ordered Brother to pay damages of ¥1.5 million to the electronics equipment manufacturer Elecom.

Brother’s inkjet printers were originally equipped with an authentication function to read the cartridge’s information by applying a voltage of 3.3V to the circuit between the printer and the cartridge when the cartridge was installed. In the printers at issue, Brother installed an additional circuit between the printer and the cartridge, to which a voltage of 1.5V was applied prior to activating the authentication function described above and, if the detected amount of current exceeded a certain amount, the printers became inoperative with an error message reading ‘Ink cannot be detected 01’ (the design change). Elecom had distributed ink cartridges that were compatible with Brother’s inkjet printers before the design change; however, Brother’s inkjet printers that adopted the design change (the new printers) would not work when two or more of Elecom’s ink cartridges were installed.

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1 Takamitsu Shigetomi, Toshiya Furusho and Takashi Hirose are partners at Oh-Ebashi LPC & Partners.

2 The latest version was published on 21 January 2016. An unofficial English translation is available at [www.jftc.go.jp/en/legislation\\_gls/imonopoly\\_guidelines\\_files/IPGL\\_Frand.pdf](http://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/IPGL_Frand.pdf).

3 The latest version was published on 28 September 2007. An unofficial English translation is available at [www.jftc.go.jp/en/legislation\\_gls/imonopoly\\_guidelines\\_files/Patent\\_Pool.pdf](http://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/Patent_Pool.pdf).



In this lawsuit, Elecom argued the design change violates Article 19 of the Anti-Monopoly Act, falling into the categories of ‘Tie-in Sales’ and ‘Interference with a Competitor’s Transactions’ that are prohibited in the Designation of Unfair Trade Practices.

The Tokyo District Court ruled that the design change fell into the category of Tie-in Sales and Brother’s activities that violate the Anti-Monopoly Act constitute tortious acts against its competitor Elecom.

In analysing this issue, first, the Tokyo District Court pointed out that no justifiable ground for the design change could be found because:

- a* there is no concrete necessity to implement the design change;
- b* the amount of the electric current set by the design change does not have any particular basis in relation to the possibility of damage to the printer, and no rational reason can be found for setting such standard current amount in view of preventing an overcurrent caused by conductive foreign objects; and
- c* there is a vivid awareness on the part of Brother of a need to remove non-genuine ink cartridges that are compatible with its printers.

Secondly, the Tokyo District Court determined that the design change fell into the category of Tie-in Sales because third-party ink cartridges were no longer usable in the new printers and the users of the new printers were forced to purchase the Brother cartridges when purchasing cartridges to be used in such new printers.

The Tokyo District Court identified that the relevant market at issue is the market for ink cartridges that can be used in the new printers manufactured by Brother. Then the Tokyo District Court decided that there was a likelihood of impeding fair competition in such relevant market because:

- a* the design change made it impossible to use compatible third-party ink cartridges in the new printers, so the design change would likely to exclude compatible cartridge distributors from the relevant market;
- b* the distributors of compatible ink cartridges, including the plaintiffs, had a considerably higher market share in the relevant market; and
- c* there was no justification for the design change, such as a technical necessity.

Other than the *Brother v. Elecom* case, other antitrust disputes related to printers and cartridges have been decided by the court. On 22 July 2021, the Tokyo District Court dismissed the enforcement of a patent right by Ricoh, a manufacturer of printers and other office equipment, against recycled toner cartridge manufacturers by ruling that such enforcement constitutes an abuse of right. In the *Ricoh* case, the Tokyo District Court decided that Ricoh violated the Anti-Monopoly Act by conducting a series of actions that unreasonably interfered with transactions between the recycled toner cartridge manufacturers and their users, and impeded fair competition in the toner cartridge market.

## ii Issues related to business partnership contracts with start-ups

In the sixth edition of this work, we introduced the Guidelines on Business Partnership Contracts with Start-ups (the Start-up Collaboration Guidelines), which were published in March 2021.<sup>4</sup> One of the purposes of the Start-up Collaboration Guidelines is to prevent

<sup>4</sup> Available in Japanese, at [www.meti.go.jp/press/2020/03/20210329004/20210329004-1.pdf](http://www.meti.go.jp/press/2020/03/20210329004/20210329004-1.pdf).

trade practices falling under the abuse of a dominant bargaining position with manufacturers, including start-ups. In November 2020, the Report on the Results of the Survey on the Current State of Trade Practices of Start-ups (the Survey Report) was released.<sup>5</sup> Based on these reports, the JFTC and the Ministry of Economy, Trade and Industry jointly decided to formulate the guidelines to present ideal approaches to contracts concluded between start-ups and partner businesses. The Start-up Collaboration Guidelines explain various examples of referential cases based on the Survey Report and provide guidelines of the Anti-Monopoly Act's interpretation for the four stages of entering into a contract, which are:

- a* non-disclosure agreement (NDA);
- b* proof of concept agreement;
- c* collaborative research agreement; and
- d* licence agreement.

It is said that the Start-up Collaboration Guidelines are meaningful to some extent in that cases where small and medium-sized enterprises are offered one-sided terms and conditions by large enterprises are decreasing. However, it is also said that the Start-up Collaboration Guidelines might not necessarily be widely received. Considering the Start-up Collaboration Guidelines and such voices, the Small and Medium Enterprise Agency released a policy titled 'Five endeavours to improve the fairness of business transactions' in February 2022. The said policy includes a plan to establish 'IP G-men', who are specialised in issues related to IP transactions. The said policy also includes the establishment of an IP Transaction Advisory Board, which is supposed to provide individual enterprises with instructions and advice.

### III LICENSING AND ANTITRUST

In considering the area of licensing and antitrust, consulting and complying with the Anti-Monopoly Act and IP Guidelines are important.<sup>6</sup>

Article 21 of the Anti-Monopoly Act states that 'The provisions of this Act shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, the Patent Act, the Utility Model Act, the Design Act, or the Trademark Act.' This means that the Anti-Monopoly Act applies to restrictions that are not considered to be an exercise of rights. In addition, the Anti-Monopoly Act applies to an act that seems to be an exercise of rights *prima facie* if the act is considered as deviating from the intent and objectives of the IP systems. The IP Guidelines analyse and explain antitrust issues in relation to IP from the viewpoints of private monopolisation,<sup>7</sup> unreasonable restraint of trade<sup>8</sup> and unfair

<sup>5</sup> The Guidelines on Business Partnership Contracts with Start-ups and Investment in Start-ups, which incorporated the contents of the Start-up Collaboration Guidelines, were published in 31 March 2022.

<sup>6</sup> The Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (IP Guidelines) apply to intellectual properties relating to technology, which includes technologies protected under the Patent Act, the Utility Model Act, the Act Concerning the Circuit Layout of a Semiconductor Integrated Circuit, the Plant Variety Protection and Seed Act, the Copyright Act and the Design Act and to any technology protected as know-how. Part 1(2)(i) of the IP Guidelines. Technology protected as computer programming under the Copyright Act and technology protected as design in the form of an article under the Design Act are also included. Note 2 of the IP Guidelines.

<sup>7</sup> Part 3(1) of the IP Guidelines.

<sup>8</sup> Part 3(2), *ibid.*

trade practice.<sup>9</sup> This means, for instance, that there are some cases where an act is evaluated not only from the viewpoint of private monopolisation, but also from the viewpoint of unfair trade practice. Thus, it is of particular note that these categories of viewpoints do not perfectly fit the following itemisation of this chapter in Sections III.i, III.ii and III.iii, even though important content<sup>10</sup> of the IP Guidelines has been categorised into each of the items mentioned above.<sup>11</sup>

One of the important points of the IP Guidelines is that it includes a section titled 'Basic Principles on Application' of the Anti-Monopoly Act.<sup>12</sup> This section contains the 'Principles in identifying a market'<sup>13</sup> and 'Method of analysing the effect in reducing competition'.<sup>14</sup> The 'Principles in identifying a market' section explains that identifying a market is necessary even when evaluation is made from the viewpoint of unfair trade practice. This section also explains a method of identifying the market where the technology is traded (a technology market) and a way of identifying the market where any product incorporating the technology is traded (a product market).

The section on the 'Method of analysing the effect in reducing competition' explains that the following factors should be considered comprehensively to determine whether restrictions regarding the use of technology reduce competition in each identified market:

*the nature of the restrictions, how they are imposed, the use of the technology in the business activity and its influence on it, whether or not the parties pertaining to the restrictions are competitors in the market . . . , their market positions . . . , the overall competitive conditions that prevail in the markets . . . , whether or not there are any reasonable grounds for imposing the restrictions, as well as the effects on incentives of research, development and licensing.*

In addition, the IP Guidelines stress that restrictions on the use of technology among competitors and restrictions on the use of technology that is influential would be considered to have a greater effect on competition than non-influential technology.<sup>15</sup> Moreover, the IP Guidelines also explain safe harbour standards,<sup>16</sup> within which the effect on the competition in the market is considered to be minor.<sup>17</sup> With regards to a product market, the safe harbour standard is 20 per cent product share or less; with regards to a technology market, the safe harbour standard is 20 per cent product share or less, or the existence of four parties owning an alternative technology.

9 Part 4, *ibid.*

10 The focus herein is on some of the most important content of the IP Guidelines, and thus an extensive explanation of the IP Guidelines has not been given.

11 This means that different ways of sorting out the contents of the IP Guidelines herein would also be possible.

12 Part 2 of the IP Guidelines.

13 Part 2(2), *ibid.*

14 Part 2(3), *ibid.*

15 Part 2(4), *ibid.*

16 Part 2(5), *ibid.*

17 This is not applicable to the conduct of restricting selling prices, sales quantity, market share, sales territories or customers for the product or to the conduct of restricting research and development activities, or obliging entrepreneurs to assign rights or grant exclusive licences for improved technology.

## i Anticompetitive restraints

### ***Restrictions that are considered, in principle, to constitute unfair trade practices***

#### *Obligations to assign improved technology or to grant exclusive licences for improved technology*<sup>18</sup>

Under the IP Guidelines, imposing on a licensee an obligation to hand over the rights for improved technology developed by the licensee or to grant an exclusive licence for it to the licensor is, in principle, considered to constitute an unfair trade practice. In addition, an obligation that causes a licensee to co-own the rights for improved technology with the licensor would also constitute an unfair trade practice if the obligation has the tendency to impede fair competition.

Conversely, if the improved technology created by a licensee is one that cannot be used without the licensed technology, an obligation on the licensee to hand over its rights for the improved technology, in exchange for fair consideration, would generally be considered as having no tendency to impede fair competition.

#### *Restrictions on research and development activities*<sup>19</sup>

Prohibiting licensees from independently, or jointly with any third party, conducting research and development activities regarding the licensed technology (or any technology that competes with it) is considered, in principle, as having the tendency to impede fair competition and as an unfair trade practice.

Conversely, in cases when the licensed technology is treated and protected as know-how, restricting licensees' research and development activities with a third party, to the extent necessary for preventing disclosure of the know-how or unauthorised use, does not constitute an unfair trade practice.

#### *Restrictions on selling and resale prices*<sup>20</sup>

Imposing a restriction on licensees on the sale or resale price of products incorporating the licensed technology limits the fundamental means of competition and reduces competition. This, in principle, constitutes an unfair trade practice.

### ***Restrictions that might constitute unfair trade practices***<sup>21</sup>

#### *Obligations of the non-assertion of rights*<sup>22</sup>

Imposing an obligation on licensees to refrain from exercising the rights owned or to be obtained by them against the licensor<sup>23</sup> is considered as constituting an unfair trade practice if it tends to impede fair competition.

Conversely, if the licensees are merely obliged to grant a non-exclusive licence for improved technology developed by them to the licensor, it does not constitute an unfair trade practice in principle.

18 Part 4(5)(viii) of the IP Guidelines.

19 Part 4(5)(vii), *ibid*.

20 Part 4(4)(iii), *ibid*.

21 When deciding whether the restrictions constitute an unfair trade practice or not needs to be carried out on a case-by-case basis.

22 Part 4(5)(vi) of the IP Guidelines.

23 This also includes any entrepreneurs designated by the licensor.

*Restrictions after the extinction of rights*<sup>24</sup>

Imposing a restriction on licensees on the use of a technology or an obligation to pay royalties even after the extinction of rights to the technology licensed (expiration of patent right) would constitute an unfair trade practice if it tends to impede fair competition. However, reasonable instalments or deferred payments of royalty might be allowed.

*No-contest obligation*<sup>25</sup>

Imposing an obligation on licensees to not contest the validity of rights for licensed technology is less likely to reduce competition directly. However, there are some cases where such an obligation preserves rights that should have been invalidated, restricts the use of the technology and has a tendency to impede fair competition. Then, in such a case, it might constitute an unfair trade practice.

In addition, giving a licensor a right to terminate the licence agreement when a licensee challenges the validity of the licensed rights is not considered as constituting an unfair trade practice.

*Restrictions on raw materials and components*<sup>26</sup>

There are some cases where a limitation on licensees regarding the quality or supply of raw materials and components for licensed products might be necessary to ensure the proper function and effect of the technology, the maintenance of safety and the prevention of the disclosure of confidential information.

However, such limitations would constitute an unfair trade practice if they exceed the necessary scope and tend to impede fair competition.

*Package licensing*<sup>27</sup>

Imposing an obligation to obtain a package licence that covers technologies other than the technology licensees wish to use is examined based on the same viewpoints as restrictions on raw materials and components.

If such an obligation is not essential to ensure the proper function of the licensed technology or forces licensees to obtain a licence beyond the necessary scope, it would constitute an unfair trade practice if it tends to impede fair competition.

*Other restrictions that might constitute unfair trade practice*

In the IP Guidelines, it is considered that there are some cases where the following limitations or restrictions would constitute an unfair trade practice:

- inhibiting the use of technology (see Section III.ii);
- a* setting a maximum quantity of products (Part 4(3)(ii)(b));
- b* restrictions on the manufacture and sale of competing products or on transactions with competitors (Part 4(4)(iv));
- c* termination provisions that are unilaterally disadvantageous to licensees (Part 4(5)(i));
- d* obligations to export via any entrepreneur designated by the licensor (Part 4(3)(iii)(d));

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24 Part 4(5)(iii) of the IP Guidelines.

25 Part 4(4)(vii), *ibid.*

26 Part 4(4)(i), *ibid.*

27 Part 4(5)(iv), *ibid.*

- e* establishment of royalties without relation to the use of technology (Part 4(5)(ii)); and
- f* limitation on the counterparties of the sales of licensed products (Part 4 (4)(ii)(b)).

***Restrictions that are, in principle, considered as not being unfair trade practices***

*Obligations to grant non-exclusive licences for improved technology*<sup>28</sup>

Imposing an obligation on a licensee to grant the licensor non-exclusive licences for improved technology made by the licensee, in principle, would not constitute an unfair trade practice if the licensee can use the improved technology without restriction.

However, even under this non-exclusive licence scheme, if the licensor also imposes on the licensee a limit on, for instance, the type of parties to which the licensee can grant a licence to use the improved technology, it would constitute an unfair trade practice if it has the tendency to impede fair competition.

*Obligations to report obtained knowledge and experience*

Imposing an obligation on licensees to report obtained knowledge and experience during the use of the licensed technology does not, in principle, constitute an unfair trade practice, except for cases where imposing such an obligation substantially leads to forcing licensees to give the licensor a licence to use such obtained knowledge (Part 4(5)(x)).

*Other restrictions*

In the IP Guidelines, the following conduct, in principle, is not considered as constituting an unfair trade practice:

- a* function-specific licensing (Part 4(3)(i)(a));
- b* limiting the licence period (Part 4(3)(i)(b));
- c* limiting the field where the technology may be used (Part 4(3)(i)(c));
- d* limiting the area in which manufacturing is allowed (Part 4(3)(ii)(a));
- e* limiting the area in which sales of the product are allowed (Part 4(4)(ii)(a));
- f* setting the minimum quantity of products that licensees must manufacture (Part 4(3)(ii)(b));
- g* limiting the exportation of the product (Part 4(3)(iii)(a));
- h* limiting areas to which licensees may export products (Part 4(3)(iii)(b));
- i* limiting parties to which licensees may grant a sublicense (Part 4(3)(iv));
- j* imposing obligations to use the best possible efforts in the use of the licensed technology (Part 4(4)(v)); and
- k* imposing obligations to protect the confidentiality of know-how (Part 4(4)(vi)).

**ii Refusals to license**

In the IP Guidelines, both the section on ‘Viewpoints from private monopolisation’<sup>29</sup> and the section on ‘Viewpoints from unfair trade practices’<sup>30</sup> deal with inhibiting the use of technology.

<sup>28</sup> Part 4(5)(ix), *ibid.*

<sup>29</sup> Part 3(1)(i), *ibid.*

<sup>30</sup> Part 4(2), *ibid.*

***Viewpoints from private monopolisation***<sup>31</sup>

In general, a right-holder not granting a licence for the use of technology is considered as an exercise of rights and normally does not cause a problem. However, in the IP Guidelines, some cases are provided where the following acts would be considered as not being an exercise of rights and as constituting private monopolisation if they substantially restrain competition in a particular field of trade:

- a* in a case where entrepreneurs are participating in a patent pool, the entrepreneurs refuse to grant a licence to new entrants without any reasonable grounds;
- b* in a case where a technology is influential in a particular market and numerous entrepreneurs use it, an entrepreneur obtains the rights to the technology from the right-holder and refuses to license the technology to others;
- c* an entrepreneur conducting business in a particular market comprehensively collects the rights to a technology that can be used by competitors, does not use the technology and does refuse to license the technology to the competitors;
- d* in a case where a product standard has been jointly established by entrepreneurs, an entrepreneur has its own technology adapted as the product standard by using deceptive means and then refuses to license the technology to the other entrepreneurs; and
- e* a patent holder making a fair, reasonable and non-discriminatory (FRAND) declaration refuses to license the rights of standard-essential patents or brings an action for injunction against a party who is willing to take a licence under FRAND conditions or the patent holder withdraws the FRAND declaration.<sup>32</sup>

***Viewpoints from unfair trade practices***<sup>33</sup>

The following acts would be considered as not being an exercise of rights, and would therefore cause a legal issue from the viewpoint of unfair trade practices if they degrade the competitive ability of the competitors and tend to impede fair competition:

- a* in a case where an entrepreneur obtains the rights to a technology from the right holder, and knowing the fact that competitors use the technology and these competitors would have difficulty in obtaining an alternative technology, the entrepreneur refuses to grant a licence to use the technology;
- b* in a case where a right holder of a technology has other entrepreneurs use the technology by unjustifiable means and after these entrepreneurs face difficulty in replacing the technology with an alternative technology, the right holder refuses to grant a licence to use the technology to the entrepreneurs;
- c* in a case where a technology provides the basis for business activities in a particular product market and many entrepreneurs in the market actually receive a licence for the technology, the right holder of the technology discriminately refuses to grant a licence to a specific entrepreneur without reasonable grounds; and
- d* the same as for Section III.i.(e) under 'Viewpoints from private monopolisation' above (even if the act does not constitute private monopolisation).

31 Part 3(1)(i) of the IP Guidelines.

32 With regards to, for example, the details of standard-essential patents and fair, reasonable and non-discriminatory standards, further details can be found in Section IV Standard-Essential Patent herein.

33 Part 4(2) of the IP Guidelines.

### **iii Unfair and discriminatory licensing**

Many items given in Section III.i and III.ii above would also count for this section in the sense that they would constitute unfair licensing.

In addition, regarding the discriminatory aspect of conduct, Note 12 of the IP Guidelines supplementing the case given in Section III.ii.(c) ('Viewpoints from unfair trade practices') above stresses that in a case where restrictive conduct is taken in a discriminatory manner, the restrictive conduct is examined not only from the viewpoint of the impact it has on competition, but also from the viewpoint of the impact on the competition derived from its discriminatory nature.

Furthermore, Note 12 states that this applies to acts stated under the sections 'Limiting the Scope of the Use of Technology',<sup>34</sup> 'Imposing Restrictions in relation to the Use of Technology'<sup>35</sup> and 'Imposing Other Restrictions'<sup>36</sup> of the IP Guidelines if the acts are taken in a discriminatory manner.

### **iv Patent pooling**

An introduction will be given here on the content of the section on 'Analysis of constraints on licensees in a licence agreement through a patent pool'<sup>37</sup> in the Standardisation Guidelines published by the JFTC.

The Standardisation Guidelines emphasise the idea that it is necessary to assess the impact on competition carefully because licensing through a pool of specifications has an enormous influence on the business activities of licensees that adopt a specification, and this influence will reach many licensees in a uniform and extensive way. From these viewpoints, the Standardisation Guidelines particularly explain the following five categories.

#### ***Setting different licensing conditions***<sup>38</sup>

Licensing with different conditions does not necessarily cause a legal issue under the Anti-Monopoly Act, including different conditions such as the scope of authorised use and different licensing royalties. However, imposing different conditions on specific businesses without due cause, such as refusing to license the patents or requiring extremely high licensing fees, is considered to be potentially violating the Anti-Monopoly Act when there is a direct and serious impact on the competitive ability of licensees.

#### ***Restricting research and development activities***<sup>39</sup>

When licensing patents for specifications through a pool, any restriction on a licensee's research and development of the technologies for the specifications or competing technologies could cause difficulty in developing them, and could potentially result in restricting competition.

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34 Part 4(3), *ibid.*

35 Part 4(4), *ibid.*

36 Part 4(5), *ibid.*

37 Part 3,3 of the Guidelines on Standardisation and Patent Pool Arrangements (Standardisation Guidelines).

38 Part 3,3(1), *ibid.*

39 Part 3,3(2), *ibid.*



Conversely, there may be some cases where this restriction is considered reasonably necessary if a small number of competitors confidentially develop core technologies for the specifications in a joint research and development. However, this would not apply once the specifications have been developed.

***Obligation to grant a licence for patents on improvements or developments of the technologies for the specifications through a pool (grant back)***<sup>40</sup>

When licensing patents through a pool and requiring licensees to add any improvements or developments of the technologies to that pool, there is a concern that this may cause a restriction on competition in the technology market. Conversely, in the case where a licensee adds a patent (i.e., an improvement) and that constitutes a part of the essential patents group and the licensee is required to grant a non-exclusive licence only, without other restrictions on the use and with non-discriminatory treatment in, for instance, the distribution of licensing fees, then it is generally considered as not causing a legal issue under the Anti-Monopoly Act.

***Measures against filing a petition for invalidation of patents***<sup>41</sup>

Imposing a non-challenge clause, on licensees, that leads to a circumstance where licensing agreements with the licensee for all patents in the pool is terminated might cause a legal issue under the Anti-Monopoly Act.

Conversely, when the measure taken is to terminate licensing agreements between the licensee and the patent holder whose patent is subject to the invalidation claim, it is generally considered as not causing a legal issue under the Anti-Monopoly Act.

***Non-assertion of patent rights against patent holders and other licensees***<sup>42</sup>

Imposing a non-assertion obligation on licensees and prohibiting the exercise of patent rights that the licensees obtain against the patent holders, might cause a substantial restriction on competition in the technology market by accumulating many patents in the pool of specifications.

Conversely, when a patent that is subject to a non-assertion obligation is one that constitutes a part of the essential patent group, and the restriction is only to require the licensee to grant a non-exclusive license without other restrictions on the use and with non-discriminatory treatment in, for instance, the distribution of licensing fees, then it is generally considered as not causing a legal issue under the Anti-Monopoly Act.

## **v Software licensing**

Under Japanese law, software can generally be protected by the Copyright Act and the Patent Act under certain conditions. The Anti-Monopoly Act does not apply to acts recognisable as the exercise of rights under the Copyright Act or the Patent Act. In addition, the IP Guidelines, in principle, apply to software licensing.

40 Part 3,3(3), *ibid.*

41 Part 3,3(4), *ibid.*

42 Part 3,3(5) of the Standardisation Guidelines.

Regarding software licensing, there is specific content in a note<sup>43</sup> in the IP Guidelines that states that a prohibition on modifications to computer programs is considered an exercise of rights under the Copyright Act; however, a restriction on modifying licensed software to use it more effectively is not considered to be an exercise of rights under the Copyright Act.<sup>44</sup>

In addition, the IP Guidelines have an illustrative example regarding packaging licensing in terms of software licensing.<sup>45</sup>

## **vi Trademark licensing**

Trademark licensing is covered by Article 21 of the Anti-Monopoly Act, meaning that the Anti-Monopoly Act does not apply to acts recognisable as the exercise of rights under the Trademark Act.

In addition, the IP Guidelines state that with regards to ‘restrictions on sales’<sup>46</sup> of products incorporating licensed technology, a licensor imposing an obligation on a licensee to use a specific trademark does not, in principle, constitute an unfair trade practice.

# **IV STANDARD-ESSENTIAL PATENTS**

## **i Dominance**

As to the dominance issue, the JFTC has published two guidelines: the Standardisation Guidelines and the IP Guidelines.

According to the Standardisation Guidelines,<sup>47</sup> the standardisation of specifications by competitors is not assumed to pose a legal issue under the Anti-Monopoly Act. However, if the activity restricts competition in related markets or threatens to impede fair competition with restrictions, it poses a legal issue under the Anti-Monopoly Act. Examples of such restrictions are: restriction of prices of new products with specifications; restriction of development of alternative specifications; unreasonable extension of the scope of specifications; unreasonable exclusion of technical proposals from competitors; and exclusion of competitors from standardisation activities.

The IP Guidelines specifically deal with the dominance issues of enforcing standard-essential patents (SEPs). According to the IP Guidelines,<sup>48</sup> refusal to license to, or bringing an action for injunction against, a party that is willing to take a licence by a FRAND-encumbered standard-essential patent holder (Patent Holder), or refusal to license to, or bringing an action for injunction against, a party who is willing to take a licence by the Patent Holder after the withdrawal of the FRAND declaration for such a SEP may constitute the exclusion of business activities of other entrepreneurs by making it difficult to research and develop, produce or sell the products adopting the standards. Whether a party is a ‘willing licensee’ (in other words, a licensee who is willing to take a licence on FRAND terms) or not should be judged based on the situation of each case, for example, in light of the behaviour of both parties in the licensing negotiations (e.g., whether, and how the parties show that the particular SEP is infringed, whether the parties offer licence terms and

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43 Note 18 of the IP Guidelines.

44 Article 20, Paragraph (2), Item (iii) and Article 47-2 of the Copyright Act.

45 Part 4(5)(iv) of the IP Guidelines.

46 Part 4(4)(ii), *ibid.*

47 Part 2(2) of the Standardisation Guidelines.

48 Part 3(1)(i)(e) of the IP Guidelines.

conditions with a reasonable basis, whether the other party promptly makes its counter-offer, and whether the parties undertake licensing negotiations in good faith in light of normal business practices). Even if a party that intends to license challenges the validity, essential nature or non-infringement of the SEP, that fact itself should not be considered as grounds to deny that the party is a 'willing licensee' as long as the party undertakes licensing negotiations in good faith in view of normal business practices.

## ii Injunctions

As stated in Section IV.i above, the JFTC mentions the case in which bringing an action for injunction may fall under the exclusion of business activities of other entrepreneurs.

As regards case law, the Intellectual Property High Court in Japan (IP High Court) rendered a significant decision in the *Apple v. Samsung* case on 16 May 2014.<sup>49</sup> The IP High Court made a decision on whether and in what circumstances seeking an injunction for a SEP is found to be an abuse of a patent right as follows:

The exercise of the right to seek an injunction based on a SEP by Samsung as the patent holder who made the FRAND declaration would constitute an abuse of right (Article 1, Paragraph (3) of the Civil Code) and therefore is not allowed, if Apple as the opponent successfully alleges and proves the fact of Samsung having made the FRAND Declaration and Apple's intention to receive a FRAND licence. Whether or not Apple had the intention to receive a FRAND licence would be rigidly scrutinised and determined.

Apple can be considered as a party that has the intention to receive a FRAND licence because Apple Inc. had made specific royalty rate proposals with a calculation basis several times, and had held several conferences with Samsung to conduct intensive licensing negotiations.

## iii Licensing under FRAND terms

Although there are no specific antitrust regulations on imposing licensing obligations, as stated in Section IV.i above, the JFTC may issue an exclusion order against the refusal of a licence, which may lead to licensing.

As regards case law, as stated in Section IV.ii above, the IP High Court held that, in certain circumstances, a patent holder's action to seek an injunction constitutes an abuse of right although no legal theory used to impose licensing obligations was mentioned.

Regarding licensing under FRAND terms, the IP High Court in the *Apple v. Samsung* case<sup>50</sup> found that the amount of damages that corresponds to the royalty amount to be calculated based on FRAND terms is as follows:

*The amount of the FRAND royalty should be calculated in the following way: (1) multiplying the sales turnover of the applicable products, which practice Samsung's SEP enforced in this case, by the contribution ratio of the compliance with the Standard by such products, (2) multiplying the amount*

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49 IP High Court Heisei 25nen (Ra) No. 10007 (see, [www.ip.courts.go.jp/eng/vc-files/eng/file/25\\_ra\\_10007zenbun.pdf](http://www.ip.courts.go.jp/eng/vc-files/eng/file/25_ra_10007zenbun.pdf)) and (Ra) No. 10008 (see, [www.ip.courts.go.jp/eng/vc-files/eng/file/25\\_ra\\_10008zenbun.pdf](http://www.ip.courts.go.jp/eng/vc-files/eng/file/25_ra_10008zenbun.pdf)).

50 IP High Court Heisei 25nen (Ne) No. 10043 (see, [www.ip.courts.go.jp/eng/vc-files/eng/file/25ne10043full.pdf](http://www.ip.courts.go.jp/eng/vc-files/eng/file/25ne10043full.pdf)).

*obtained in (1) by the royalty rate cap, which is applied from the standpoint of preventing the aggregate amount of royalty from being unreasonably high; and (3) dividing the amount obtained in (2) by the number of essential patents for the Standard.*

The Japan Patent Office published the Guide ‘Licensing Negotiations Involving Standard-Essential Patents’ (the SEP Guide) on 5 June 2018.<sup>51</sup> The SEP Guide aims to enhance transparency and predictability, and facilitate negotiations to quickly resolve issues concerning licensing terms (FRAND terms) of SEPs. Although the SEP Guide does not specifically describe particular instructions on FRAND terms, it introduces various royalty calculation methods such as reasonable royalties, non-discriminatory royalties and other types of royalties such as fixed rate and fixed amount, lump-sum payment and running royalty payments.

#### **iv Anticompetitive or exclusionary royalties**

In Japan, there is no specific guidance under the JFTC’s guidelines that mention anticompetitive or exclusionary royalties.

In the *Apple v. Samsung* case, the IP High Court held that a claim for damages asserted by the patent holder exceeding the amount of the FRAND royalty should not be allowed, unless special circumstances existed, such as the prospective licensee has no intention of receiving a FRAND licence.

## **V INTELLECTUAL PROPERTY AND MERGERS**

### **i Transfer of IP rights constituting a merger**

The IP Guidelines do not provide any specific statements directly focusing on transfer of intellectual property in relation to merger.

The Anti-Monopoly Act<sup>52</sup> and the Guidelines to the Application of the Anti-Monopoly Act Concerning Review of Business Combination<sup>53</sup> (the Guidelines for Review of Business Combination) provide general guidance for mergers<sup>54</sup> from the viewpoint of the effect of restraint on competition. The Guidelines for Review of Business Combination explain how to define a particular field of trade<sup>55</sup> and how to evaluate whether a business combination in issue has a substantial effect on restraining competition regarding three categories:

51 See, [www.jpo.go.jp/system/laws/rule/guideline/patent/document/seps-tebiki/guide-seps-en.pdf](http://www.jpo.go.jp/system/laws/rule/guideline/patent/document/seps-tebiki/guide-seps-en.pdf).

52 For instance, according to Article 16 (1) (i) of the Anti-Monopoly Act, if acquiring the whole or a substantial part of the business of another corporation is substantially to restrain competition in any particular field of trade, then such an act is prohibited. In addition, according to Article 16 (1) (ii) of the Anti-Monopoly Act, if acquiring the whole or a substantial part of the fixed assets is substantially to restrain competition in any particular field of trade, then such an act is also prohibited. ‘The fixed assets’ would include intellectual properties. Further, according to Article 16 (2) of the Anti-Monopoly Act, under certain conditions, acquiring the business of another corporation and acquiring the fixed assets should be reported beforehand to Japan Fair Trade Commission. This reporting obligation does not necessarily have to do with whether or not the effect of the act in issue is substantially to restrain competition in a field of trade in reality.

53 The latest version was published on 17 December 2019. English translation (unofficial) is available at: [www.jftc.go.jp/en/legislation\\_gls/imonopoly\\_guidelines\\_files/191217GL.pdf](http://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/191217GL.pdf).

54 This includes acquiring the fixed assets. Part I.6 (1) of the Guidelines for Review of Business Combination.

55 Part II, *ibid*.

horizontal business combination,<sup>56</sup> vertical business combination<sup>57</sup> and conglomerate business combination.<sup>58</sup> For instance, with regards to a horizontal business combination, the Guidelines for Review of Business Combination explain that factors<sup>59</sup> such as the position of parties in the business combination, competitive pressure from imports and market entry, and improvements in efficiency are taken into consideration when deciding whether a horizontal business combination has a substantial effect on restraining competition in a particular field of trade. At the same time, the Guidelines for Review of Business Combination provide safe harbour standards<sup>60</sup> within which a horizontal business combination is basically considered as not having a substantial effect on restraining competition. In principle, the Guidelines for Review of Business Combination do not set out different analytical methods to evaluate the effect of business combinations just because a business combination in issue is related to intellectual property. However, considering, for example, the importance of potential competitiveness derived from data or intellectual properties, in December 2019, some parts of the Guidelines for Review of Business Combination were amended and, for instance, Note 5 was added to it. Note 5 states that even regarding a case that meets one of the safe harbour standards, there might be some cases where it is necessary to consider the above-mentioned factors to determine whether the effect of the business combination does substantially restrain competition, if one of the parties ‘has potential competitiveness that is not reflected in’ market share because it ‘has for instance, certain important assets for competition purposes such as data or intellectual property rights’. With regards to the analysis of the effect of a vertical business combination or a conglomerate business combination, amendments from the viewpoint of the importance of data and intellectual property were also made.<sup>61</sup>

In addition, regarding the section ‘Method of analysing the effect in reducing competition’ mentioned in Section III, above – although it is not directly related to the context of a merger, it can be useful to evaluate the effect of conduct from the viewpoint of restrictions pertaining to the use of technology in general.

## **ii Remedies involving divestitures of intellectual property**

The IP Guidelines do not provide any specific statements on divestitures of intellectual property as a remedy for substantial restraint of competition by a business combination. In principle, general guidance for the remedy of substantial restraint of competition by a business combination should be given by the Anti-Monopoly Act and the Guidelines for Review of Business Combination. The Guidelines for Review of Business Combination has stated that the most effective measures to solve issues of substantial restraint of competition by a business combination are to establish new independent competitors, or to strengthen

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56 Part IV, *ibid.*

57 Part V, *ibid.*

58 Part VI, *ibid.*

59 Part IV.2 of the Guidelines for Review of Business Combination. This analyses a horizontal business combination from the viewpoint of unilateral conducts. In addition, Part IV.3 of the Guidelines for Review of Business Combination analyses a horizontal business combination from the viewpoint of coordinated conduct.

60 Part IV.1(3) of the Guidelines for Review of Business Combination.

61 For instance, Note 12 and Note 18 of the Guidelines for Review of Business Combination.

existing competitors. Such measures include a transfer of all or part of the business of the company group (to such competitor).<sup>62</sup> Transfers of intellectual properties could be included in part of this business transfer.

In addition, the Guidelines for Review of Business Combination explain measures to promote imports and market entry as remedies to solve the problems of the substantial restraint of competition caused by a business combination.<sup>63</sup> It includes granting licences for the company group's patents rights under appropriate conditions to competitors or to new market entrants.

## **VI OTHER ABUSES**

### **i Sham or vexatious IP litigation**

In Japan, filing a lawsuit may theoretically constitute tort or abuse of rights in extremely limited situations, although Article 32 of the Constitution of Japan provides that no person shall be denied the right of access to the courts. However, in Japan, there has been no case of sham or vexatious IP litigation thus far.

### **ii Misuse of the patent process**

There is no Supreme Court or IP High Court case in which the misuse of the patent process in Japan has been recognised.

### **iii Anticompetitive settlements of IP disputes**

There are no cases where the courts or the JFTC has found any settlements of IP disputes to be anticompetitive.

## **VII OUTLOOK AND CONCLUSIONS**

As in Sections II.ii, III and IV, the JFTC has tried to check the IP holder's abuse of its right or dominant bargaining position, or both. An IP holder should keep a careful watch on the JFTC's attitudes and trends in enforcing antitrust law and guidelines. In particular, digital platforms should be cautious regarding their trade practice (including the exercise of their IP rights) because the JFTC, as well as the Japanese government, is trying to establish a new bill called the Law Improving Transparency and Fairness of Specified Digital Platforms to restrict the business conduct of digital platforms.

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62 Part VII.2.(1) of the Guidelines for Review of Business Combination.

63 Part VII.2.(2), *ibid.*

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